



Department of Alcoholic Beverage Control

Presentation to Government Simplification
and Reform Committee

September 8, 2010

Topics of Discussion

- Overview of Operations
 - Mission and Stakeholders
 - Functions
 - Regulatory
 - Administrative Support
 - Product Distribution
 - Product distribution process

VA ABC's Mission

To control the distribution of alcoholic beverages; operate efficient, conveniently located retail outlets; enforce the laws of the Commonwealth pertaining to alcoholic beverages and youth access to tobacco products; and provide excellent customer service, a reliable source of revenue, and effective public safety.

Control



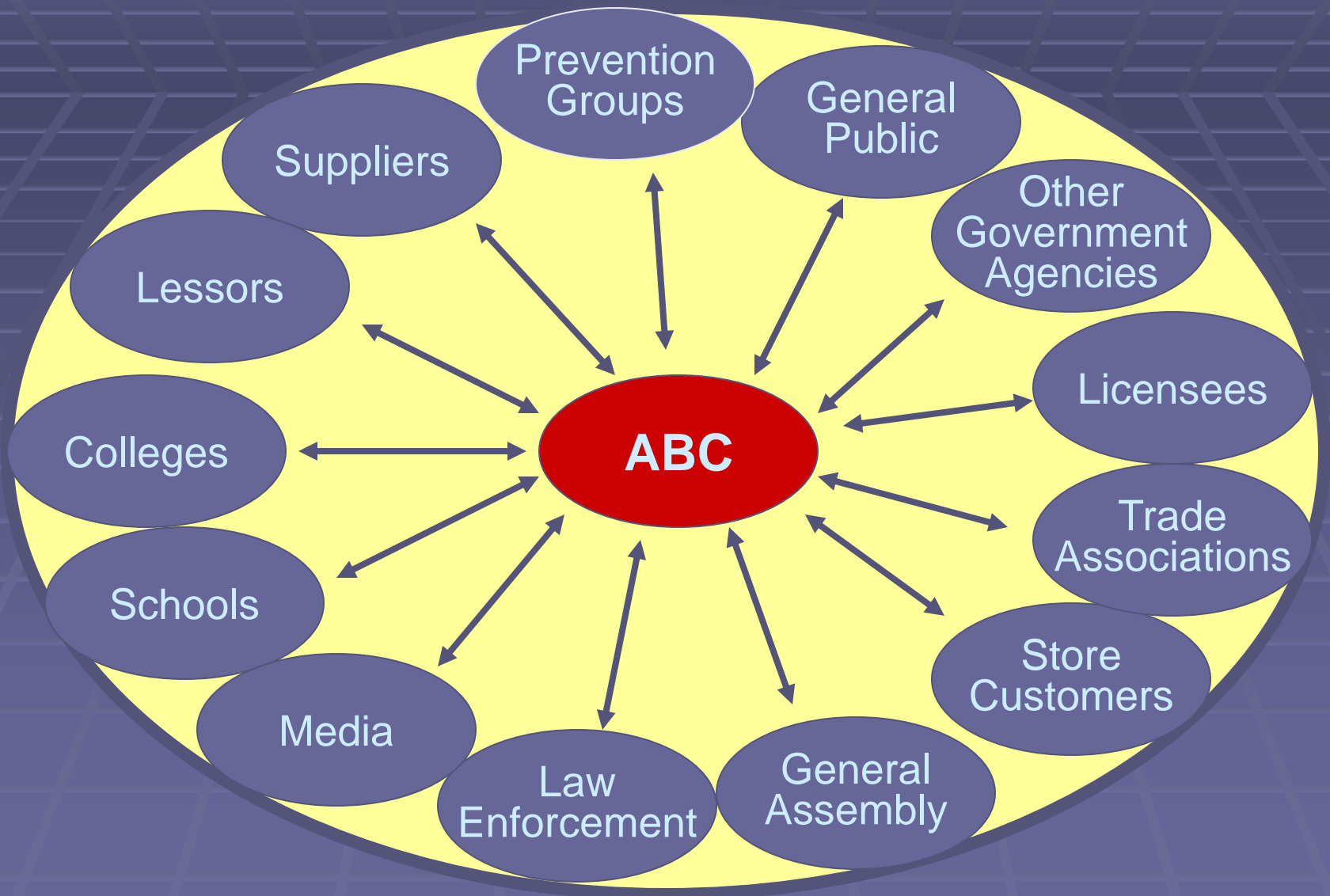
Service



Revenue



Diverse Set of Stakeholders



Mission-Critical Service Areas

Licensing
Regulation
Law Enforcement
Adjudication



Warehouse
Stores Operations



Central Office
Support Services



Licensing and Law Enforcement Activities

- **Licensee Compliance with ABC laws and regulations**
 - Underage Liquor Consumption Laws
 - Completed almost 5,000 compliance checks in the private sector
 - Checked all ABC stores
 - Underage Tobacco Purchase Laws
 - Completed over 4,000 compliance checks
 - Compliance with other state laws (e.g. narcotics, financial fraud, etc.)
- **Illegal Manufacture and Distribution**
 - (Moonshine, Bootlegging and Nip Joints)
- **Investigate and Process License Applications**
 - Over 16,000 one-day and almost 2,000 retail/wholesale license applications processed

License Breakdown

Type	Number
Off Premise Wine and Beer	6,657
On-Premise Wine and Beer	6,162
On-Premise Mixed Beverage Restaurants	4,555
Combination Wine and Beer On/Off	1,750
Specialty and Compliance (Wholesalers, Importers, Shippers, Wineries, Distillers, and Brewery)	2,279
Total	21,403

Total does not include 16,000 one-day banquet and special event licenses.

Licenses do not equal number of establishments because some establishments hold multiple licenses (e.g. restaurants selling mixed beverages)

Education and Judicial Activities

■ Education Responsibilities

- Conferences
 - Alcohol and Aging
 - 24th Annual College Conference
 - 25th Annual Youth Alcohol and Drug Abuse Prevention Project
- Licensee Training
- Speaker's Bureau
- Publications (almost 350,000 distributed)



■ Administrative Case Processing

- Objections for license applications (71), disciplinary proceedings (1,015) and franchise cases (8)
- Decisions can be appealed to Board and Circuit Court (4-8%)
- ABC collected \$1.5M in fines and penalties in FY 2009

Central Administration & Support Functions

- Financial Management Services
- Procurement & Support Services
- Information Technology
- Board Administration
- Human Resources
- Property Management
- Internal Audit
- Policy, Planning and Analysis
- Public Affairs

Product Distribution Process Overview



ABC serves as the wholesaler and retailer of distilled spirits. Over 300 wine & liquor vendors supply products to VA ABC.



Suppliers transport their product to VA ABC's Warehouse in Richmond, VA.

Product is received into VA ABC's Warehouse.



ABC has a highly automated warehouse operation to process store orders.

ABC's warehouse is a bailment operation whereby vendors own and independently maintain stocks of inventory.

ABC is completely self-supporting. Operating revenues pay all expenses and return over \$320M to the Commonwealth annually.



Store sales fund central office operations and a portion of Enforcement expenses.



ABC stores receive weekly shipments of product that include markup and excise taxes. Sales tax is applied at the register.



ABC takes ownership of the product when it is shipped to a store. Transportation is provided via a contract carrier, Estes Trucking.

Store Operations

- Of the 332 stores currently in operation throughout the state, 19 are owned and the remaining 313 are leased.
- All stores but one generated a positive return on sales (Monterey)
- ABC ships over 3.85M cases annually. Most stores receive shipments weekly.
- Distilled spirits are 96% of sales with Virginia Wine, Mixers and Vermouth making up the remaining 4%.
- ABC operates 134 stores on Sundays. In FY 2009, Sundays generated \$18M in sales.
- Have over 2,600 items on the price list with the average store stocking over 1,000 items. The top 200 items represent over 50% of retail sales and almost 70% of restaurant sales.
- Sales to restaurants are approximately 20% of ABC's annual sales.
- Mark-up varies by size but is approximately 69% across all sizes. 20% Excise tax is applied after the mark-up and sales tax is applied at the register.



Critical Issues Moving Forward

- Enforcement Resources
 - Since 1994---47% increase in licenses to administer
 - Will need to increase agents and agency support staff to account for new distribution processes